

## **Paper A: Minutes of meeting held on 25 November 2024 - Hybrid**

### **PRESENT**

Cllr Nathan Yeowell	Chair, LGA
Cllr Martin Bailey	LGA
Cllr Jayne Dunn	LGA
Cllr Keith House	LGA
Cllr John Fuller	LGA (partial attendance)
Cllr Doug McMurdo	LGA
Cllr Eddie Reeves	LGA
Ben Lavelle	MHCLG
Paul Duggins	MHCLG
David Murphy	NILGOSC
Kevin Gerard	Technical Group representative
Linda Welsh	SPLG
Eva Sobek	SPPA
Alan Wilkinson	SPPA
George Graham	SAB representative

### **Secretariat**

Lorraine Bennett	LGPC
Joanne Donnelly	SAB
Rachel Abbey	LGPC
Toni Durrant	LGPC
Holly De-Buriette	LGPC

### **Non attendees**

Cllr Mark Durham	LGA
Cllr Joyce Welsh	LGA (apologies)
Cllr Vince Maple	LGA (substitute for Cllr Welsh)

### **1. INTRODUCTION FROM THE CHAIR**

The Chair, Cllr Nathan Yeowell [NY], welcomed everybody to the hybrid meeting. NY welcomed five new committee members: Cllr Martin Bailey [MB], Cllr Jayne Dunn [JDn], Cllr Joyce Welsh [JW], Cllr Mark Durham [MD] and Cllr Vince Maple [VM] and

congratulated Cllr Keith House's [KH] move to full member. Attendees introduced themselves and outlined their LGPS responsibilities.

## 2. APOLOGIES

Apologies for absence were received from Cllr Joyce Welsh, Cllr Vince Maple (due to attend only for the first 30 minutes) and Cllr John Fuller (who could only attend from 11:30 am).

No declarations of interest were made.

## 3. MINUTES

The minutes of the previous meeting held on 22 July 2024 were agreed as a true and correct record.

## 4. MATTERS ARISING

### Restructure of the LGPC secretariat team

Lorraine Bennett [LB] provided an update on the LGPC Secretariat's restructure. The team has grown over time in response to increasing demand for their services. The aim of the re-structure was to improve resilience with the introduction of a new management layer. Two new posts have been created – one each on the training and technical teams. The recruitment process for both posts is underway with interviews planned for the beginning of December.

### Government pensions review

Jo Donnelly [JD] provided an update on the Pensions Review following the Mansion House speech.

The initial findings from phase one of the Review do not contain much about the LGPS. They are focused on defined contribution schemes and will have little impact on the LGPS.

The Government has launched an LGPS consultation: [Local Government Pension Scheme \(England and Wales\): Fit for the future](#). The key proposals in the consultation involving investment and pooling are:

- establishing minimum standards for pools, including FCA regulation – this requirement is currently met by five of the eight pools
- requiring pools to manage assets internally – two pools currently have this capability

- delegation of investment strategy implementation to the pools, with funds taking principal investment advice from the pool
- mandating the transfer of legacy assets to pools
- requiring funds and pools to work more closely with Combined Mayoral Authorities (and the Welsh equivalent) and to formulate a plan for more investment in local growth, taking into account local growth plans
- requiring pool boards to include shareholder representatives and an invitation for views on how Scheme member interests are taken into account by the pools.

Each pension fund will remain a member of a single pool. There is an expectation that pools will collaborate, but JD does not predict that pensions funds will move from one pool to another, nor cross-invest across different pools.

The consultation also includes proposals affecting governance of the LGPS:

- requiring that each administering authority appoint a senior LGPS officer with overall delegated responsibility for the management of and administration of the fund
- requiring committee member knowledge and skills training equivalent to that of pension board members
- mandating the publication of a governance and training strategy and an administration strategy
- introducing biennial independent governance reviews led by the Scheme Advisor Board (SAB) – SAB is recruiting a new member of staff to facilitate the reviews.

The consultation also confirms the Government is also considering a requirement for all administering authorities to appoint an independent adviser.

The consultation does not propose any change to the structure of LGPS administration. There is no requirement for a reduction in the number of funds, but collaboration is mentioned.

The consultation allows limited time for responses, given the holiday period, as it closes on 16 January 2025.

George Graham [GG] expressed concern about the operational challenges of local investment strategies, noting the need for bespoke solutions that pools might not yet have the capacity to deliver. JD agreed and stressed that collaboration between pools would be essential.

NY noted that the Government had indicated its support for consolidation, but that no such requirement was included in the consultation. He suggested that inter-pooling arrangements and collaboration between the pools on specific asset classes should be explored further. He noted the potential role of organisations like the Local Authority Pension Fund Forum (LAPFF) and the Pensions and Lifetime Savings Association (PLSA) in facilitating such efforts. There is potential to work with combined authorities and create pooled investment vehicles to spread risk.

MB enquired about the absence of private equity from the consultation. JD responded that while there were no explicit references to private equity, elements like local growth and UK-focused investments encompass similar growth objectives.

GG noted that the proposed requirement for independent advisors to become formal committee members could be seen as a step toward professional trusteeship, which may not align with the LGPS governance model. JD agreed and suggested that this issue be raised in consultation responses.

NY raised concerns about resourcing for the biennial independent governance reviews proposed in the consultation. JD explained that the new member of the SAB team will oversee and facilitate the reviews. The reviews will be delivered by experts including professionals, recently retired staff and other volunteers.

## **5. SCHEME ADVISORY BOARD (SAB) UPDATE FOR ENGLAND AND WALES**

JD presented the key points from Paper B and provided a detailed update on SAB activities.

### **Fair Deal**

An MHCLG consultation on incorporating new Fair Deal into LGPS regulations is expected in the coming months. This would provide enhanced protections for LGPS members involved in outsourcing arrangements. MHCLG has yet to respond to the 2019 Fair Deal consultation. There may be a response to the 2019 consultation, or a new consultation on the legislative changes needed to implement the policy.

### **Gender pensions gap and opt out monitoring**

SAB has an ongoing project to address the gender pensions gap and broader disparities in pension outcomes across members with other protected characteristics.

JD highlighted the importance of monitoring opt outs. Some LGPS members leave the Scheme due to financial pressures, but there could be many other reasons for their decisions. The Board is looking for a way to monitor opt outs effectively. Administering authorities cannot provide full information because they may not be informed about members who opt out of the LGPS from the start of their employment.

To address this, SAB is engaging with employers through LGA networks and conducting surveys targeting academies and local authority employers. JD highlighted the need for employer engagement to make progress on opt outs and closing the gender pensions gap.

## **Compliance and Reporting issues**

### **Audit**

Delays to local authority audits is a continuing concern for LGPS administering authorities. JD described recent SAB engagement with government ministers on this topic, including meetings with Jim McMahon (Minister for Local Government) and Emma Reynolds (Minister for Pensions). The Board is hopeful for progress on separating pension fund accounts from the host authority's accounts.

### **Funding strategy statement guidance**

SAB is expected to approve the new funding strategy statement guidance at the Board's meeting this afternoon. This is the second publication that the Compliance and Reporting Committee has produced.

### **Peer support offer**

The Board is starting a project to scope out a new peer support offer for LGPS administering authorities. There is a new member of staff joining the SAB team in December to lead on this project.

## **Investment issues**

### **Fiduciary duty**

The Board has received the advice it commissioned on the possibility of criminal liability as a result of holding investments associated with occupied territories in the Middle East. The Board has published the advice, provided by Nigel Giffin KC, on its website without additional comment, allowing funds to review the legal implications independently.

The SAB has recently published guidance on managing lobbying and political pressure, which includes best practice for maintaining neutrality. This guidance has

been well-received, particularly given recent increases in lobbying on contentious investment topics.

The SAB is looking into whether legal advice on fiduciary duty, originally published in 2014, needs to be updated.

JDn raised concerns about how recent political developments, including an arrest warrant issued by the International Criminal Court, could affect funds' fiduciary and legal responsibilities. JD responded that while this development does not appear to affect LGPS funds directly, SAB will follow up with Nigel Giffin KC to seek further clarification.

Cllr Doug McMurdo [DMc] suggested expanding the scope of the legal advice to cover conflicts across the world rather than concentrating on the Middle East. He noted that the conflict in Yemen, also raises significant ethical and legal concerns. JD agreed that this could form part of a wider approach to understanding global investment risks.

### **Climate risk reporting**

The Government has not yet responded to the 2022 consultation on governance and reporting of climate change risks in the LGPS. The Board expects developments in this area in 2025. A new consultation is expected on proposals that align with regulations in place for other UK pension schemes.

### **Other issues raised**

MB asked whether the automatic refund of contributions paid to members of the LGPS with less than two years' service was affecting younger scheme members. He understood that this did not happen in other public service pension schemes. LB confirmed that:

- the payment of a refund of LGPS contributions is not automatic
- a member who leaves or opt outs of the LGPS after less than two years may claim a refund, request a transfer to a different pension scheme or wait to make a decision
- if they re-join the LGPS before taking a refund, the two periods of membership are combined, making it more likely that they will meet the two-year 'vesting' period and qualify for an LGPS pension
- under current rules, a refund must be paid within five years of leaving the LGPS, but the SAB and technical team are pushing to remove this requirement

- the LGPS previously had a vesting period of three months, but this was increased to two years in 2014, in line with the other public sector pension schemes.

## 6. REGULATIONS UPDATE ENGLAND AND WALES

LB presented the key points from Paper C.

### McCloud

Work on implementing the McCloud remedy continues. Administering authorities have a deadline of 31 August 2025 to re-visit past calculations and pay any arrears and interest. This deadline will be particularly challenging because of delays to software updates.

The LGPC Secretariat has continued its support to administering authorities by delivering:

- an updated version of the technical guide which includes more information on re-visiting past cases and eligibility for protection
- two webinars on McCloud and two webinars on McCloud and transfers that were attended by 500 people
- template forms and other documents for the McCloud project.

The team will consider delivering further webinars for administrators in 2025 if there is demand. They are also working with Affinity Connect on delivering member webinars in 2025.

The Public Sector Transfer Club provides for pension transfers on preferential terms when a member moves their pension from one public service pension scheme to another. These transfers must usually be completed within a year of joining the 'new' scheme, with an extension possible in 'exceptional circumstances'. The Cabinet Office, which is responsible for the 'Club' arrangements, has agreed that delays in administration due to the implementation of the McCloud remedy count as 'exceptional circumstances' for this purpose.

DMc questioned the risks associated with missing the 2025 deadline. LB clarified that the statutory guidance requires authorities to have regard to the timeline but it is not a legislative requirement. The statutory guidance also includes information on prioritisation, with retirements and deaths at the top of the list.

GG noted that software developments mean that they can process new cases, but more updates are needed to be able to re-visit past cases affected by McCloud. As a result, the number of backlog cases has mostly stabilised, but it remains large.

## **Pensions Review – call for evidence**

LB apologised to the committee for not consulting them before submitting the LGPC's response to the Government's pensions review call for evidence. The tight deadline did not leave time for wider review of the response. The response focused on administrative concerns and affordability, which is the priority for Scheme employers.

## **Consultation on inheritance tax and pensions**

The Chancellor announced in the 2024 Budget that unused pension funds and death benefits will be included in a member's estate for inheritance tax purposes from April 2027. This change primarily affects defined contribution schemes but will also impact death grants paid by the LGPS. Discretionary death grants, such as those paid by the LGPS, are currently not in scope of inheritance tax.

The Government is consulting on the implementation of this policy. The LGPC Secretariat will submit a response, and share that response with administering authorities, before the consultation closes on 22 January 2025. Initial thoughts on the proposal are that:

- One of the main aims of the policy is to prevent double taxation of certain payments made by defined contribution pension schemes. This is not an issue in the LGPS, but death grants paid by the LGPS would be affected by the proposed solution.
- Administering authorities would need to liaise with personal representatives about tax liability before paying a death grant, which would inevitably cause delays in making a payment.
- The process would be complicated in cases where the value of the estate changes after an LGPS death grant has been paid. This could mean that administering authorities have to collect further tax from beneficiaries.

## **Lifetime allowance abolition**

The lifetime allowance (LTA) previously placed a limit on the amount of pension savings an individual could build up in their lifetime without incurring a tax charge.



The LTA was abolished in April 2024 and replaced by two new lump sum allowances.

There was very little time to implement this change and as a result there were errors and problems with the regulations and guidance. Two further sets of regulations came into force on 18 November 2024 to correct these errors. The LGPC Secretariat will revise its guidance to reflect these changes.

## **Pensions Dashboards**

Pensions dashboards will allow people to see details of all their UK pensions in one place, including the state pension.

### **DWP Ministerial Statement on dashboards**

The DWP used a Ministerial Statement to re-affirm their support for dashboards and commit to the existing connection timetable. The statement also asks the Pensions Dashboards Programme (PDP) to prioritise the launch of the MoneyHelper dashboard before working on connecting commercial dashboards.

Public service pension schemes must connect to pensions dashboards by 31 October 2025.

### **PDP confirms identity service provider**

Data security is a vital issue for dashboards. Identity verification will be essential to make sure that the correct information is supplied to the right person. PDP has confirmed that users of pensions dashboards will verify their identities with GOV.UK One Login. This will make it easier for those who have previously registered with One Login for other Government services.

### **The Pensions Regulator (TPR) and dashboards**

TPR will be engaging with pension schemes on data quality from October 2024 onwards. They will have an interest in data quality scores and data improvement plans.

TPR will use surveys to gather data on schemes' dashboards readiness.

### **Dashboards guides published**

The LGPC Secretariat has issued two dashboards guides to assist administering authorities – a connection guide and an AVC connection guide.

LB highlighted challenges with supplying AVC data to dashboards. There are two approaches:

- the AVC provider supplies data to dashboards directly
- the AVC provider supplies data to the administering authority to supply to dashboards.

Different providers have varying approaches to data sharing. Collaborative work with the wider industry is ongoing to develop a pragmatic solution.

## **Increase to the normal minimum pension age**

The normal minimum pension age (NMPA) will increase from 55 to 57 from 6 April 2028. This changes the earliest age that members can take their LGPS pension, except in cases of ill health.

This was delivered in the Finance Act 2022. The Act allows protections for members with an 'unqualified right' to take a pension before age 57 on 4 November 2021. Individual scheme rules, including the LGPS regulations, will need to be amended to accommodate the increased NMPA for joiners after that date. The LGPS regulations could also be changed to give members who joined before 4 November 2021 the continued right to take their pension from age 55. MHCLG has not yet considered whether the LGPS regulations will provide for protected pension ages.

Administering authorities are frequently asking what MHCLG's approach will be. The LGPC secretariat is writing a paper on the implications of the different approaches that MHCLG could take.

The NMPA increased from 50 to 55 in 2010. That change was straightforward in the LGPS because members at that time did not have an 'unqualified right' to take their pension before age 60 – they needed their employer's or former employer's permission to do so. No protections were introduced to the LGPS in England and Wales. The position is more complicated this time, particularly in relation to transfers.

The Committee will decide on their recommended approach to this issue. LB will prepare a paper for them to consider at the next meeting.

## **Survivor benefits**

LB announced that a consultation is expected in early 2025 on equalising survivor benefits. This is as result of the Goodwin case, which identified inequalities in how benefits are calculated for widowers versus same-sex partners in the Teachers' Pension Scheme. The LGPC secretariat will monitor developments and help funds implement any changes.

## 7. REGULATION UPDATE SCOTLAND

Eva Sobek [ES] provided updates on Paper D:

- Exit credits: SPPA received a large number of responses to the consultation that closed in May 2024. They plan to lay regulations and update the funding strategy statement guidance early in 2025.
- McCloud remedy: The LGPS Scotland regulations concerning annual benefit statements for members with McCloud protection will be amended to bring them into line with the rules in England and Wales. The changes are expected by the end of 2024.

## 8. REGULATIONS UPDATE NORTHERN IRELAND

The Committee noted the key points from Paper E, which was presented by David Murphy [DM].

- there was much press interest in the Budget and Mansion House speech, but these had no impact on the LGPS in Northern Ireland
- the Northern Ireland Local Government Pension Scheme Advisory Board met in November and discussed pensions dashboards and the McCloud remedy
- LGPS (Northern Ireland) Regulations were amended for McCloud and annual benefit statements before the 31 August deadline in the same way that the rules were changed in England and Wales.

GG asked about the legal challenges related to McCloud brought by trades unions that DM had reported at previous meetings of this Committee. DM confirmed that the legal process is ongoing. Around a quarter of the claims have been unsuccessful as the individuals are not in scope of protection. The first management hearings related to the remaining 18,000 cases are expected in March 2025.

## 8. TECHNICAL GROUP UPDATE

Kevin Gerard [KG] presented the key points from Paper F.

At the last Technical group meeting, the group discussed:

- The group's priority to remove the five year time limit for paying contribution refunds
- Limit on payments that can be made without probate or letters of administration: the group proposes raising the current £5,000 cap to £20,000 to reflect inflation and support bereaved families. They requested that the

Scheme Advisory Board contacts HM Treasury on behalf of administering authorities to pursue this change

- AVCs: Addressing delays and inconsistencies with AVC providers, particularly around data sharing for dashboards
- The demands of validating service for the teachers' excess service project

The Technical Group is being replaced by the National Pensions Officer Group to meet the evolving needs of LGPS administering authorities and employers. The Chair of the new group will attend future meetings of this committee. As this was KG's final meeting, NY and the LGPC members expressed their thanks for his attendance and contribution over the years. NY praised KG and members of the Technical Group for their efforts.

## **9. TRAINING AND CONFERENCE UPDATE**

Toni Durrant [TD] provided updates from Paper G:

- Fundamentals training aimed at committee and board members is underway in York, London and online. Feedback so far is largely positive. Around 90 delegates will attend each of the three days. Numbers in York are on the low side and so 2025 events will be held in London and online only.
- Annual Governance Conference 30-31 January 2025: the event is nearly sold out for in-person attendance, with places still available to join online.
- The training team delivered 17 commissioned training events in 2024, a significant increase on previous years.
- The team has announced the training programme for 2025. They have made changes to some courses in response to feedback from attendees, such as splitting the transfer training into two courses to reflect the increased complexity.
- Award in Pensions Essentials qualification: the first cohort is reaching the end of this level 2 general pensions training, with the second and third cohorts due to start in 2025.
- LGPS qualification: the team is developing a Level 3 LGPS-specific qualification. The first intake of students will start the course in April 2025.
- The team delivered a presentation at the Pensions Managers' Conference in November on both qualifications and will deliver a webinar in early December. 70 funds have already signed up for the webinar which indicates that there will be significant interest.

- Following on from the team re-structure mentioned at the beginning of this meeting, the training team is recruiting a new member of staff. Interviews are scheduled for the beginning of December.

## **10. ANY OTHER BUSINESS**

None to report.

## **11. DATES OF NEXT MEETINGS**

Future meetings will be held on:

- 24 March 2025
- 21 July 2025
- 24 November 2025.